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Significance of Financial Inclusion in Small Tea Sector (A Case Study in Dibrugarh and Tinsukia Districts of Assam)

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Abstract

Tea cultivation in small holdings and/or homestead gardens is a unique business model initiated by a few young and enthusiastic local entrepreneurs of rural Assam during the latter half of 1970s. By now this venture has assumed the shape of an indigenous industry of the state, accommodating more than 70,000 small tea gardens with 1.2 million direct employment, contributing 25 percent of state's produce and 14 percent of All India produce of green leaf. It is however a sorry state of affair that this agro enterprise has been facing harsh realities in their endeavour towards prosperity so far as pricing of green leaf, availability of credit and marketing as well as infrastructure facilities are concerned. Despite being a fast emerging sector, which shows high potential to change the very face of rural economy of Assam, inadequacy of institutional finance is a major constraint towards sustainability and prosperity of this venture. The small entrepreneurs as they emerge today are subordinate to the richer estate houses, bought leaf factories or market intermediaries as a result, a time may come when this venture may be engulfed by debt trap. Financial inclusion and financial literacy is therefore the need of the hour for this venture and the government as well as concerned authorities should come forward with appropriate financial products and services for augmentation of this unique effort of rural Assam.

1. Introduction: Assam, the bastion of corporate sector tea plantation witnessed a unique agricultural practice when some enthusiastic young entrepreneurs initiated tea cultivation in their existing areca-nut and/or orange gardens or in other unutilized lands during the latter half of 1970s. Availability of suitable land being a limiting factor, some of the farmers initially resorted to uprooting of existing areca-nut, orange, paddy, bamboo, sugarcane citronella etc. plantation in order to facilitate tea cultivation in small holdings. Soon, small holdings of tea bushes could be witnessed in ceiling surplus land, grazing land, forest land or in encroached government land.

During the boom in the tea industry during late 90's of 20th century, the price of green leaf even touched the level of Rs.22.00 per kilogram in some pockets of upper Assam and no one received less than Rs. 12.00 per kilogram throughout Dibrugarh and Tinsukia districts of the state. This spurt in green leaf price was very lucrative and prompted a sizeable numbers of Assamese villagers who traditionally used to cultivate areca-nut and/or orange in large scale in their homestead gardens

started planting tea seedlings together with areca-nut and/or orange. At this juncture, it was also realized that such profit may not sustain in the long run unless the limited land of the farmers are utilized to the maximum and therefore, some foresighted small tea growers who initially did not resort to multi-cropping practice, thought of some alternative ways to augment their income through the utilization of their existing plantation area and the concept of multi-cropping thus got materialized once again through the plantation of some other crops viz., black-pepper, betel-vine, lime, lemon, sweet lime, goose-berry, pamelon, pears, coconut, agar, fan-palm etc. This practice of multi-cropping which grew spontaneously with the farmers of Assam without any training whatsoever is found to be a just and profitable business venture to augment their income and sustainability and therefore can be adopted as a new and viable agro-business model.

These small farmers are treated as small tea growers who have 10.20Ha or about 75 Bigha of land under tea cultivation by the Tea Board of India and STAP (Small Tea growers Advisory Program). However, Govt. of Assam considers a farmer with a holding size less than 4.0Ha under tea as small tea grower (Gogoi, 1999).

At present, there are 64,465 small tea growers in 14 major surveyed districts of the Brahmaputra valley of Assam with a total land coverage of 1,17,000 Acre (DIC, 2010a). Among all the districts, Dibrugarh district is leading (19160) followed by Tinsukia district (18595). Out of the total small tea growers, majority of them (59,717) have land holdings less than 3 Acre (DIC, 2010). Although small in size, these small tea farms have been in practice of cultivation much above the break-even level, thereby indicating the fact that small tea gardens are economically viable (Saikia et al., 2003). Presently, these small tea gardens contribute 25 percent of state's produce and 14% of All India produce (DIC, 2010 a). Moreover, this business is quite a good means to solve the burning unemployment problem of the state. Apart from self-employment, this practice has opened a wide vista of business opportunities conforming to agro-chemicals and fertilizers, green leaf carriers, bought-leaf factories and different tools and machines. At present, around 1.2 million people are directly employed by this small scale industry of the state of Assam. Thus, the emergence of small tea farmers in the agro based economy of Assam has heralded a new era of agricultural revolution throughout the state and paved the way for rural industrialization and entrepreneurship development in rural Assam.

Nevertheless, it is a sorry state of affair that this agro enterprise has been facing harsh realities in their endeavour towards prosperity so far as pricing of green leaf, availability of credit, marketing as well as infrastructure facilities are concerned. The small entrepreneurs as they emerge today are subordinate to the richer estate houses or bought leaf factories with a most disadvantageous position with respect to financial inclusion. Drastically slashing down of green leaf price from Rs. 20.00 to Rs. 5.00 per kilogram in October, 2011 appeared as a mighty blow to the small tea growers of the state. The outburst of this apathy could be visualized through the disheartening scene of throwing thousands of kilograms of fresh green leaf by the wretched growers on the highway of Brahmaputra valley of Assam as a mark of protest. To meet the dearth of finance, most of the farmers have to approach to the bought leaf factories and/or commission agents who provide advance/loan at unfavourable conditions.

2. Methodology: A field survey was conducted during 2011 – 2012 among the small tea growers of Dibrugarh and Tinsukia districts, covering 14 tea blocks (7 blocks from each district). 448 sample gardens were randomly selected for intensive study. For ease of study, the sample growers were categorized into 7 groups according to their land holding sizes. The study is primarily based on

primary data collected through direct personal interview and rapport with each of the growers with a pre-tested questionnaire. Secondary data have also been collected from Directory of Small Tea Growers of Assam (2010), Govt. of Assam, various issues of tea statistics published by Tea board of India, STAP, TES, reports of different commercial banks and lead banks in the respective districts in order to achieve the following objectives:

1. To study the financial status of the small tea growers.
2. To study the role played by different financial institutions in the promotion of small tea cultivation.

3. Financial Difficulties Faced By The Growers: The numbers of sample growers facing financial difficulty according to holding size of sample gardens are shown in Table 1. The overall scenario depicts the fact that out of 448 sample growers, 175 (39.06%) are facing difficulty in managing fund for continuing their business. The table clearly indicates that maximum (44.90%) sample growers facing financial crunch belong to the holding size 'Below 1.0 acre'. It is also seen in the table that the number of sample growers facing financial difficulty recedes as the holding size of sample gardens increase and hence, minimum (20.0%) sample growers having financial crunch is seen under the holding size '5.0 to 6.0 acre'. No sample grower with holding size '6.0 acre and above' is found to be suffering from financial difficulty. This clearly indicates that the farmers with large holding sizes are financially strong enough.

The district wise analysis of financial problem of sample tea growers reveals that financial problem is more pronounced among the sample tea growers of Tinsukia district (41.75%) in comparison to those of Dibrugarh district (36.78%). In both the districts, the largest number of growers facing financial problem are concentrated in the holding size 'Below 1.0 acre', however, more (47.62%) growers in Tinsukia district are having financial problem than those of Dibrugarh district (42.86%).

The table also reveals that in Tinsukia district, only the sample gardens of holding size below 5.0 acre are facing financial problem while in Dibrugarh district, the sample gardens of holding size '6.0 acre and above' are free from financial crunch. It is interesting to note that the lone garden in Tinsukia district under holding size '4.0 to 5.0 acre' is one of those having financial problem. Lowest productivity of land, labour and capital was seen in case of this sample garden.

In the present study 39.06 percent of the sample growers who reported of any kind of financial problem are all suffering from capital shortage. Fixed capital shortage is not found to be a problem for any one of the sample growers as 100 percent of them remained silent about such problem.

Table-1
Financial Difficulty Faced by Sample Growers According to Holding Sizes

Holding size (acre)	Overall			Dibrugarh district			Tinsukia district		
	No. of growers	Growers facing financial difficulty (nos.)	Percentage of growers facing financial difficulty	No. of growers	Growers facing financial difficulty (nos.)	Percentage of growers facing financial difficulty	No. of growers	Growers facing financial difficulty (nos.)	Percentage of growers facing financial difficulty
Below 1.0	245	110	44.90	140	60	42.86	105	50	47.62
1.0 - 2.0	123	43	34.96	62	22	35.48	61	21	34.43
2.0 - 3.0	43	14	32.56	19	3	15.79	24	11	45.83
3.0 - 4.0	18	5	27.78	9	2	22.22	9	3	33.33
4.0 - 5.0	4	1	25.00	3	0	0	1	1	100.00
5.0 - 6.0	10	2	20.00	7	2	28.57	3	0	0
6.0 and above	5	0	0	2	0	0	3	0	0
Total	448	175	39.06	242	89	36.78	206	86	41.75

Source : Compiled from field survey inputs

Halayya (1969) reported that most of the small tea growers in Nilgiri were indebted to bought-leaf factories. These growers took financial help from these factories, as they could not finance their farms wholly from their meager savings. In return the growers were requested to sell their crops to the factories at prices fixed by the later, which was much lower than prevailing market price.

Absence of adequate finance in time of need crops up multidimensional problems for an enterprise and so is the case for a small tea grower. It was observed that not a single sample grower has enjoyed financial accommodation from institutional sources but almost all those reporting the problem of financial constraint (39.06%) are enjoying some sort of financial accommodation from non institutional sources like market intermediaries, commission agents, bought leaf factories etc. These market intermediaries/commission agents disburse lump-sum fund to the growers against their informal buy-back agreement of green leaf and other cash crops and during harvesting season, they collect the crops from the gardens. This apart, some green leaf commission agents supply fertilizers, agro-chemicals etc. to the growers on loan and also finance the growers during the non-

harvesting period to adjust their dues against the price of green leaf during the next harvest. Thus, in absence of institutional finance, the growers are forced to depend on non-institutional source of credit and become the victim of mass exploitation by the middlemen.

4. Role of Financial Institutions: The state Government is yet to formulate and implement suitable financial scheme for catering the financial needs of the small tea growers. Although various financial institutions are available for disbursement of agricultural finance to the cultivators, only the Tea Board of India and the commercial banks have shown some initiatives in this respect in case of cultivation of tea in small holdings.

The Tea Board of India has adopted a number of development scheme for the small tea growers in the country, but the role of the Tea Board of India zonal office at Dibrugarh displays a bleak picture so far as its promotional activities on small tea cultivation is concerned. It is worth mentioning in this context that only one sample grower is found to be registered under the Tea Board of India and no sample grower is found to have received any financial aid or subsidy.

Table- 2
Registration Status and other Activity of Tea Board of India Related to
Small Tea Growers in the Sample Districts at A Glance

Sl.	Particulars	Year	
		2009	2010
1	Numbers of STG registered under Tea Board during the year	15	07
2	Numbers of STG applied for financial aid	15	07
3	Area (in Hectare) of STG applied for financial aid	29.67	15.84
4	Amount (Rupees in Lakh) availed by the STG	22.55	12.04

Source: Tea Board of India Dibrugarh Zonal Office.

A total of 4561 small tea growers of Assam are registered with the Tea Board of India as on date. Table 2 gives an idea about the registration status and other activities of the Board related to small tea growers operating from the sample districts of Dibrugarh and Tinsukia.

Almost all the major nationalized banks of India have their branches in the district headquarters of both the sample districts. Moreover, some private as well as regional rural banks are also operative in both the districts. However, some of the banks which are having their branches in interior places of the sample districts are: State Bank of India, United Bank of India, UCO Bank, Canara Bank, Assam Gramin Vikash Bank, Assam Co-Operative Apex Bank etc. While approaching various branches and district headquarters of the above banks for necessary data, very few or no information could be retrieved. However, the collective data on small tea growers of both the sample districts has been accumulated by approaching the lead bank managers of Dibrugarh and Tinsukia district, which are presented in Table 3.

From the table it is evident that in comparison to Dibrugarh district, the commercial banks of Tinsukia district are providing much more financial assistance to the small tea growers. Similarly, total plantation area covered under the scheme is also much higher in Tinsukia district than in Dibrugarh district. In other words, the small tea growers of Tinsukia district are much more benefitted from the schemes of the commercial banks. It is understood from the information provided by the lead bank managers that the commercial banks of Dibrugarh district extend

financial assistance mainly to the big tea gardens while in Tinsukia district, the loan facilities of the commercial banks cover mainly the small tea growers.

Table- 3
Role of Commercial Banks on Development of Small Tea Cultivation in the Sample Districts

Sl. No.	Particulars	Dibrugarh District						Tinsukia District							
		2005 – 06	2006 – 07	2007 – 08	2008 – 09	2009 – 10	2010 – 11	Total	2004 – 05	2005 – 06	2006 – 07	2007 – 08	2008 – 09	2009 – 10	Total
1	No. of Schemes on tea plantation (sanctioned loan)	48	33	71	69	52	63	336	580	982	1648	2012	2628	3041	10891
2	Plantation area covered under bank loan (In Hectare)	26.88	19.80	53.60	32.20	20.80	25.60	178.88	494.00	914.00	1757.00	1877.00	2803.00	3214.00	11059.00
3	Fund released for tea plantation schemes (Rupees in Lac.)	38.79	36.55	80.23	46.70	30.10	38.40	270.77	988.00	1828.00	35.14	4024.00	5264.00	6130.00	18269.14
4	Number of schemes on tea nurseries (sanctioned loan)	7	11	4	7	4	10	43	86	128	226	273	370	398	1481
5	Total seedlings raised with the bank loan (in Lac.) (Approx.)	18.00	27.00	12.50	21.00	12.00	26.00	116.50	60.00	89.00	158.00	191.00	259.00	278.00	1035.00
6	Fund released for tea nursery schemes (Rupees in Lac.)	12.40	16.20	7.20	12.30	7.60	18.60	74.30	23.00	34.00	61.00	74.00	101.00	119.00	412.00
7	Unrealized/backlog amount from tea growers (Rupees in Lac.)	8.30	12.14	29.44	28.10	28.46	32.57	139.01	0.00	0.00	0.00	0.00	423.00	718.00	1141.00

Source : Data collected from the Lead Bank Managers of Dibrugarh and Tinsukia Districts

5. Conclusion: The study reveals that small tea cultivation is not only profitable business venture but also presumes to have the capacity to change the very face of rural Assam in days ahead if practiced in right earnest. It is found that the sample growers are gaining atleast 50 percent of extra return in terms of profitability of their capitals invested. Most notable revelation of the study is that the average ROI of the sample gardens is 72.07%, which is increased to 164.22% with the adoption of multi-cropping practice by some growers and thus an average gain of 92.15% is achieved over mono-cropping. It is revealed from the study that a large majority of the sample growers are not even able to utilize 50 percent of their land holding capacity, which is attributable mainly to the lack of financial resources, unavailability of sufficient credit facility, poor marketing facility and lack of technical knowhow.

From the foregoing discussion it is evident that financial inclusion in small tea industrial sector assumes great significance for the prosperity of this venture. The level of land holding capacity utilization plays an important role in determining return on investment and thereby indicating a high prospect of small tea sector. In absence of adequate finance, the farmers could not achieve optimum utilization of their land holding capacity.

The sample small tea growers are not enjoying the financial inclusion to an optimum level. In fact, most of the farmers are suffering from the chronic problem of financial exclusion. To overcome this situation, financial inclusion and market intelligence can be suggested as suitable measures. Financial inclusion has now become an issue of major concern which if tackled with sincere and honest effort will enable the small tea farmers to break the chain of poverty which in turn will change the entire socio-economic structure of rural Assam. In this context the following action oriented recommendations may be suggested:

8. Recommendation:

1. The strategy of Creation of Revolving Fund and loan assistance to small tea growers under the Cess Utilization Policy of Government of Assam may be implemented under the supervision and guidance of a separate directorate.
2. The Tea Board of India, being the foremost promotional authority, may conduct careful study on small tea ventures based on ground reality and thereby formulate special promotional package with sufficient allocation of fund for development and growth of this agro-based venture in Assam.
3. The commercial banks which are helping few small tea growers of the state with financial accommodation may devise special schemes for this practice which should be economically more stable and viable. An active role of NABARD in this aspect is imperative.

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